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I

106TH CONGRESS
1ST SESSION

H. R. 1261

To amend the Internal Revenue Code of 1986 and title XIX of the Social Security Act to promote the purchase of private long-term care insurance by providing tax deductibility, State Medicaid flexibility, and information dissemination.

IN THE HOUSE OF REPRESENTATIVES

MARCH 24, 1999

Mr. HOBSON (for himself, Mr. KASICH, Mr. GREENWOOD, Mrs. JOHNSON of Connecticut, Ms. PRYCE of Ohio, and Mr. SAWYER) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the Committee concerned

A BILL

To amend the Internal Revenue Code of 1986 and title XIX of the Social Security Act to promote the purchase of private long-term care insurance by providing tax deductibility, State Medicaid flexibility, and information dissemination.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 **SECTION 1. SHORT TITLE.**

- 4 This Act may be cited as the "Long-Term Care In-
- 5 surance Act of 1999".

1 **SEC. 2. DEDUCTION FOR LONG-TERM CARE PREMIUMS.**

2 (a) **IN GENERAL.**—Part VII of subchapter B of chap-
 3 ter 1 of the Internal Revenue Code of 1986 (relating to
 4 additional itemized deductions for individuals) is amended
 5 by redesignating section 222 as section 223 and by insert-
 6 ing after section 221 the following new section:

7 **“SEC. 222. ELIGIBLE PREMIUMS ON QUALIFIED LONG-TERM**
 8 **CARE INSURANCE CONTRACTS.**

9 “(a) **ALLOWANCE OF DEDUCTION.**—In the case of an
 10 individual, there shall be allowed as a deduction an
 11 amount equal to the applicable percentage of the eligible
 12 long-term care premiums (as defined in section
 13 213(d)(10)) paid during the taxable year for coverage
 14 under a qualified long-term care insurance contract for the
 15 taxpayer, his spouse, and dependents.

16 “(b) **APPLICABLE PERCENTAGE.**—For purposes of
 17 subsection (a), the term ‘applicable percentage’ means the
 18 percentage determined under the following table:

“For taxable years beginning The applicable percentage is— in calendar year—	
2001	20
2002	40
2003	60
2004	80
2005 and thereafter	100.

19 “(c) **SPECIAL RULES.**—

20 “(1) **COORDINATION WITH MEDICAL DEDUC-**
 21 **TION.**—Any amount paid by a taxpayer for insur-
 22 ance to which subsection (a) applies shall not be

1 taken into account in computing the amount allow-
2 able to the taxpayer as a deduction under section
3 213(a).

4 “(2) COORDINATION WITH DEDUCTION FOR
5 HEALTH INSURANCE COSTS OF SELF-EMPLOYED IN-
6 DIVIDUALS.—No deduction shall be allowed under
7 this section for any amount for which a deduction is
8 allowable under section 162(l).

9 “(3) DENIAL OF DEDUCTION TO DEPEND-
10 ENTS.—No deduction shall be allowed under this
11 section to any individual with respect to whom a de-
12 duction under section 151 is allowable to another
13 taxpayer for a taxable year beginning in the cal-
14 endar year in which such individual’s taxable year
15 begins.”

16 (b) DEDUCTION ALLOWED WHETHER OR NOT TAX-
17 PAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a)
18 of section 62 of such Code is amended by inserting after
19 paragraph (17) the following new paragraph:

20 “(18) ELIGIBLE LONG-TERM CARE PRE-
21 MIUMS.—The deduction allowed by section 222.”

22 (c) REDUCTION IN EARNED INCOME CREDIT TO
23 TAXPAYERS WITHOUT CHILDREN AS OFFSET FOR RE-
24 Duction IN REVENUES.—Subparagraph (A) of section

1 32(b)(1) of such Code is amended by striking “7.65” and
 2 inserting “3.825”.

3 (d) CONFORMING AMENDMENT.—The table of sec-
 4 tions for part VII of subchapter B of chapter 1 of such
 5 Code is amended by striking the last item and inserting
 6 the following new items:

“Sec. 222. Eligible premiums on qualified long-term care insur-
 ance contracts.

“Sec. 223. Cross reference.”

7 (e) EFFECTIVE DATE.—The amendments made by
 8 this section shall apply to taxable years beginning after
 9 December 31, 2000.

10 SEC. 3. REVISION OF MEDICAID LIMITATION.

11 (a) IN GENERAL.—Section 1917(b)(1)(C) of the So-
 12 cial Security Act (42 U.S.C. 1396p(b)(1)(C)) is
 13 amended—

14 (1) in clause (i), by inserting “or clause (iii)”
 15 after “such clause”; and

16 (2) by adding at the end the following new
 17 clause:

18 “(iii) In the case of an individual who receives
 19 medical assistance under a State plan not described
 20 in clause (ii) of a State which has a State plan
 21 amendment approved which provides for the dis-
 22 regard of any assets or resources in the manner de-
 23 scribed in such clause, clause (i) shall not apply to

1 75 percent of the amounts of the assets or resources
2 so disregarded.”.

3 (b) EFFECTIVE DATE.—The amendments made by
4 subsection (a) take effect on the date of the enactment
5 of this Act.

6 **SEC. 4. DISSEMINATING INFORMATION ABOUT LONG-TERM**
7 **CARE POLICIES AND MEDICARE COVERAGE.**

8 (a) FINDINGS.—The Congress finds the following:

9 (1) As the baby boom generation begins to re-
10 tire, funding Social Security and Medicare will put
11 a strain on the financial resources of younger Ameri-
12 cans.

13 (2) Medicaid was designed as a program for the
14 poor, but in many States Medicaid is being used for
15 middle income elderly people to fund long-term care
16 expenses.

17 (3) In the coming decade, people over age 65
18 will represent up to 20 percent or more of the popu-
19 lation, and the proportion of the population com-
20 posed of individuals who are over age 85, who are
21 most likely to be in need of long-term care, may dou-
22 ble or triple.

23 (4) With nursing home care now costing
24 \$40,000 to \$50,000 on average per year, long-term
25 care expenses can have a catastrophic effect on fami-

1 lies, wiping out a lifetime of savings before a spouse,
2 parent, or grandparent becomes eligible for Med-
3 icaid.

4 (5) Many people are unaware that most long-
5 term care costs are not covered by Medicare and
6 that Medicaid covers long-term care only after the
7 person's assets have been exhausted.

8 (6) Widespread use of private long-term care
9 insurance has the potential to protect families from
10 the catastrophic costs of long-term care services
11 while, at the same time, easing the burden on Med-
12 icaid as the baby boom generation ages.

13 (7) The Federal Government has endorsed the
14 concept of private long-term care insurance by estab-
15 lishing Federal tax rules for tax-qualified policies in
16 the Health Insurance Portability and Accountability
17 Act of 1996.

18 (8) The Federal Government has ensured the
19 availability of quality long-term care insurance prod-
20 ucts and sales practices by adopting strict consumer
21 protections in the Health Insurance Portability and
22 Accountability Act of 1996.

23 (b) DISSEMINATION OF INFORMATION.—

24 (1) IN GENERAL.—The Administrator of the
25 Social Security Administration, in cooperation with

1 the Administrator of the Health Care Financing Ad-
2 ministration, shall take all appropriate steps to in-
3 form the public—

4 (A) about the financial risks posed by rap-
5 idly increasing long-term care costs and about
6 the need for families to plan for their long-term
7 care needs; and

8 (B) that Medicare does not cover most
9 long-term care costs and that Medicaid covers
10 long-term care costs only when the beneficiary
11 has exhausted his or her assets.

12 (2) ENCOURAGEMENT OF EMPLOYER-SPON-
13 SORED COVERAGE.—The Secretary of Labor, in co-
14 operation with the Administrator of the Health Care
15 Financing Administration, shall take all appropriate
16 steps not only to encourage employers to offer pri-
17 vate long-term care insurance coverage to employees,
18 but also to encourage both working-aged people and
19 older citizens to obtain long-term care insurance ei-
20 ther through their employers or on their own.

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